



HOUSE BUDGET COMMITTEE

Democratic Caucus

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Republicans' Push to Make the Tax Cut Permanent Shows They Have No Real Budget

Dear Democratic Colleague,

The House Republican leadership is bringing to the floor a bill making last year's tax cut permanent. This comes just one month after the House passed a "budget" that omits any mention of this costly Republican touchstone. Yet, Republicans routinely fault Democrats for not having a budget. Republicans' own actions show that they are the ones who have no real budget.

Republicans have only the semblance of a budget — a paper document notable primarily for its omissions and understatements — plus a costly collection of add-on proposals that will create deeper and deeper structural deficits. Republicans' supposed budget omits or understates the cost of things they themselves intend to do and of things that inevitably must be done.

Ignoring some of the Majority's most favored and most costly priorities could not come at a more perilous time — a mere six years before 77 million Baby Boomers begin to retire. If last year's tax cut is made permanent, as Republicans propose, every single penny of the cost over the coming decade will come out of the Social Security and Medicare surpluses. Even without making the tax cut permanent, the Republicans' putative budget called for an invasion of the Social Security and Medicare surpluses for as far as the eye could see. Now, Republicans' add-on agenda just makes the invasion of the trust fund surpluses worse.

Only a year ago, every Republican leader swore that this would never happen again. They vowed that every single dollar of the Social Security surplus would be saved, used solely to buy back outstanding Treasury bonds. But this year's House Republican budget spends all of the Medicare surplus and 93 percent of the Social Security surplus over the next five years. Now Republicans acknowledge that their agenda goes far beyond the items included in that budget. This dashes any hope that they might return to a path on which the Social Security and Medicare surpluses will be saved.

This is evident from the fact that this week's tax bill is just the beginning of the add-on agenda not included in the Republican "budget". Nowhere in their budget can one find:

- the \$27 billion supplemental appropriation we knew was coming,
- the money for the substantial increase in foreign aid the President called for just before his United Nations appearance,
- the funding for an adequate Medicare prescription drug benefit,
- the approximately \$400 billion over ten years needed to prevent the alternative minimum tax from affecting millions of middle-class families with children (which the Administration finally recognized on Monday),
- the cost of over 30 other expiring tax provisions that Republicans (and Democrats) have routinely voted to renew in the past, or
- the roughly \$1 trillion needed to implement the Republican plan to replace Social Security with stock market investments.

Once these items are factored in, the real cost of the Republican agenda creates huge permanent deficits, jeopardizes Social Security and Medicare, and heaps up public debt for years to come.

To cover up fiscal consequences even without the add-on agenda, the Republican budget resolution showed only five years of the budget instead of ten. This left the impression that solutions are there, somewhere over the horizon. And to muddy the picture more, the Republican resolution made use of OMB's budget estimates rather than CBO's, and for one reason: OMB's estimates are far more favorable.

Now with Republicans' add-on agenda, we can see that the House Republican budget obscured the real issues even further. A budget so far removed from reality ceases to be a working agreement and few regard it as such. There is no budget to keep the tab for these proposals, and so we drift deeper and deeper into structural deficit. At a time when we should be correcting last year's mistakes, the Republican resolution compounds the mistakes and takes us further into fiscal denial.

Three times in the 1990s, Congress enacted budgets to bear down on the deficit, and each year for eight straight years, the bottom line got better. Now we have a Republican budget that will not recover, even in ten years, the path of fiscal discipline lost last year. There are no targets, no objectives, no strategies other than the Republicans' earnest hope for greater economic growth than the forecast already assumes.

The unpleasant reality is that we have seen in just one year the most dramatic fiscal reversal in our nation's history. Last year, following eight straight years of improving budgets, CBO projected large and growing surpluses for as far as the eye could see — without using either Social Security or Medicare. This year, the President's budget shows large non-trust fund deficits for the decade and beyond.

We have left the path that led to eight straight years of budget improvement in the 1990s. Even with war in the Persian Gulf looming, President Bush's father agreed to a budget summit, which laid the groundwork for the budgets of the 1990s. Now for the first time since the Bush Budget Summit, there is no long-term plan and there are no budget rules to discipline the process, such as discretionary spending caps or an effective pay-go rule.

Americans may be distracted and not watching. But in the future, when our children are saddled with the retirement cost of 77 million baby boomers, they will ask who was responsible for the disappearance of the surplus and this about-face in budget discipline. If President Bush wants to avoid this legacy, he should follow his father's example and heed our call for another summit where we face the problems of the budget forthrightly and together.

Sincerely,

John M. Spratt, Jr.
Ranking Democratic Member